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State Dept. review completed

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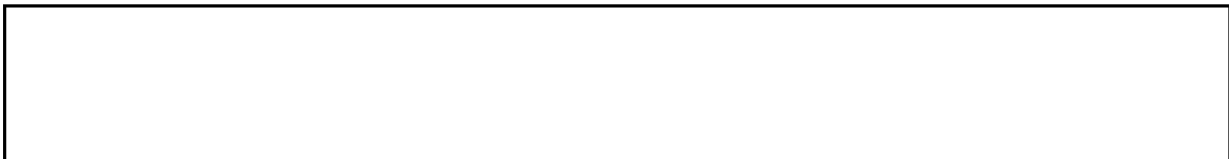
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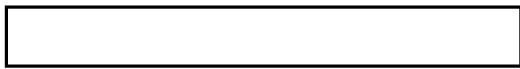
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FAR EAST

1. Japanese prime minister faces major crisis in November:

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Japanese prime minister Yoshida will face a major political crisis during the extraordinary Diet session in November, but cannot be "counted out," according to Ambassador Allison. He notes that the failure of Yoshida's conservative opponents to agree on a successor is the major obstacle blocking the prime minister's immediate ouster.

Allison believes that if Yoshida is forced out, it will not necessarily harm American interests. If Yoshida decides to dissolve the Diet and call for an election, the ambassador thinks conservative forces would retain control of the government despite probable Socialist Party gains.

Comment: Yoshida has indicated he will call for new elections if his opponents attempt to force him out prematurely. While reported to be thinking of retiring, he wants to do so at a time of his own choosing and with the privilege of naming his successor.

The financial interests whose support has enabled Yoshida to stay in power have recently expressed dissatisfaction with him and his Liberal Party. This might lead Yoshida to retire voluntarily, rather than face a no-confidence motion which would be supported by his conservative opponents.

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NEAR EAST - AFRICA

3. Comment on signature of Suez base agreement:

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The 19 October signature of the Suez base agreement may bring the contest between the Nasr regime and the extremist Moslem Brotherhood to a climax. The Brotherhood openly declared its opposition to the regime and to the terms of the base settlement following the July

"Agreement on Principles" covering the British evacuation.

The regime has recently undertaken to tighten its control of Brotherhood activities and can be expected

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to meet any attempts at violence with force. Despite the report of some clashes, serious disorders are not likely.

Egypt's internal political and economic problems will probably prevent the Nasr government from entering into defense arrangements under Western auspices for some time.

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4. Israel reported ready for second test of Suez passage:

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Israel has a ship ready to sail from Haifa to test passage of the Suez Canal from the north, according to an Egyptian Ministry of War official concerned with Palestine affairs.

The Egyptian government's information indicates that this second test is imminent and that Israel is only awaiting the "right moment."

Comment: Israel may consider that the signing of the Anglo-Egyptian agreement, which includes Egypt's reaffirmation of the freedom of passage of the Suez Canal, creates a favorable situation for a second Israeli ship to attempt to pass through the canal. On 28 September Egypt seized the first Israeli ship to attempt passage of the canal on the charge that the vessel had fired on Egyptian fishermen.

A new attempt at this time would place the Nasr regime in an extremely difficult position. Already faced with considerable opposition to the agreement, the regime could expect additional charges of "treason" from the extremist Moslem Brotherhood if signature of the agreement were followed by the announcement that the regime had permitted an Israeli vessel to transit the canal.